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National Intelligence Daily Cable for Monday, 26 September 1977.

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The NID Cable is for the purpose of informing senior US officials.

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UK: Liberal-Labor Pact Tested

25X1 [] //The British Liberal Party's week-long annual meeting, which begins today, will probably endorse the parliamentary pact that helps keep the minority Labor government afloat. The toughest test of the Liberal-Labor pact, however, will come on the shop floor, where trade unionists will decide how far to push their wage demands. If the Callaghan government is unable to head off a wage explosion, the Liberals will almost certainly abandon their arrangement with the government.//

25X1 [] //The Liberal-Labor deal will be the most important topic of debate at the party meeting. In return for Liberal parliamentary support, the Labor government affirmed its resolve to curb inflation as well as to give consideration to Liberal views on certain legislative issues, including home rule, direct elections to the European Parliament, and reform of the Official Secrets Act.//

25X1 [] //Liberal Party leader David Steel has argued that an early election would only produce political instability and upset Britain's economic recovery. Many Liberals agree, but even more persuasive are opinion polls and results of recent by-elections that suggest the Liberals would get about 10 percent of the vote--a far cry from the 19.3 percent they received at the high-water mark of the Liberal revival in February 1974.//

25X1 [] //The arrangement with Labor is Steel's brain-child, and he has worked hard to overcome the party's inbred resistance to the idea of participating in a coalition--formal or informal. Steel, who has made clear he does not intend to lead a "debating society," hopes to do well enough in the next election to be able to hold the balance of power in the House of Commons.//

25X1 [] //Most observers expect approval of the pact with Labor. Steel would be mistaken, however, to take this for granted. Liberal Party gatherings are far less subject to pre-conference stage managing than are similar Conservative and Labor affairs, thus leaving open the possibility of a delegate revolt adding new and damaging conditions to the pact.//

25X1 [] //The Liberals believe their middle-ground approach will appeal to Tory voters uneasy with Margaret Thatcher's right-wing bent and to Laborites concerned with excessive influence on the Callaghan government by leftists and trade unionists. The Liberals, however, are no longer the logical recipients of protest votes, given the rise in popularity of such special interest parties as the Scottish and Welsh nationalists and the racist National Front.//

25X1 [] //In fact, Steel's hopes to participate in the government may be dashed by the Scottish Nationalists, who could do so well in the next election that they, and not the Liberals, would become the pivotal factor in the new Parliament. []

SOUTH AFRICA: Urban Blacks

25X1 [] *The South African Government is considering ways to deal with the immediate grievances of urban blacks that would give the blacks some control over local affairs. The proposals advanced thus far, however, would do little to satisfy the demands of urban blacks and would buttress the policy of separate development of the races by strengthening black ties with the tribal homelands.*

25X1 [] National Party leaders told the recent party congress that a special cabinet committee, similar to one that recently worked out the proposed new constitutional system giving some political rights to Coloreds and Asians, will be appointed soon to deal with the question of blacks living in white areas.

25X1 [] Although this action underscores government concern over the mounting pressure of black unrest, the committee will not attempt to work out any form of political power-sharing for urban blacks. It will review existing legislation and consider economic and social conditions, education, housing, the legal position of blacks in white areas, self-government at a local level, and links to the tribal homelands.

25X1 [] The Minister of Bantu Affairs has made it clear that those concessions made to blacks will be strictly within the framework of separate development of the races, a policy under

which South African blacks are in theory to achieve eventual self-government and political rights as citizens of the homelands.

25X1 [] Government leaders are considering doing away with the system of passbooks, which blacks must carry at all times, and substituting identity books similar to those carried by whites. The tribal homelands will assume responsibility for issuing these identity books. This step would effectively strip almost 9 million blacks of their South African identity, and force them toward acceptance of citizenship in tribal homelands many have never known.

25X1 [] The citizenship question has been a major stumbling block in granting homeland independence, because most urban blacks have been reluctant to apply for homelands citizenships that would make them transient aliens in white areas.

25X1 [] The committee will probably recommend some decree of local autonomy for black townships and might suggest granting the townships local powers equal to those exercised by white municipalities. At the same time, however, provisions would be made to tie the townships more closely to the homelands, a concept that has been already rejected by residents of Soweto, who recently forced the government to reconsider plans for ethnic-based community councils.

25X1 [] The appointment of the cabinet committee could be announced soon by Prime Minister Vorster as part of the campaign for the November general election, and the committee's recommendations made public before the new parliamentary session ends next June. Although these recommendations could improve the daily lives of urban blacks, the fact that they will further strengthen separate development could make them unacceptable to urban blacks. []

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USSR-JAPAN: Economic Relations

25X1 [] *The Soviets are more optimistic than the Japanese about future economic cooperation following two recent meetings on joint projects in the USSR. Both countries agree, however, that satisfactory progress is being made on projects involving South Yakutsk coal, Sakhalin off-shore oil and gas exploration, and Yakutia natural gas.*

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[] At one of the meetings, a Soviet official said that he had detected Japanese disappointment over trade with China and forecast a "qualitative change" in Soviet-Japanese economic relations upon the completion of some transportation infrastructure projects in Siberia and the Soviet Far East. Last Friday, the Japanese-Soviet Economic Committee meetings ended in Tokyo with an agreement calling for further limited cooperation on specific projects but without extending the scope of the bilateral economic relationship.

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[] An important outcome of the talks was a Japanese promise to extend another \$90-million credit to finance the development of South Yakutsk coal deposits. Japan already has extended \$450 million in credits for this project, to be repaid in part by deliveries of 84 million tons of Yakutsk coal over a 16-year period beginning in 1983.

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[] According to a Japanese official, the Tokyo meetings brought nothing new to bilateral economic relations. The mere fact that the meetings took place, however, indicates some improvement in at least the atmosphere surrounding Japanese-Soviet relations. A number of recent issues have contributed to strained relations, including the protracted fishery negotiations and last summer's MIG-25 incident.

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[] The Northern Territories issue continues to be the most vexing problem in relations; it could complicate the establishment of periodic economic ministerial-level meetings that the Japanese proposed in June and that the Soviets agreed to during the Tokyo talks. Although the Japanese Labor Minister originally proposed the ministerial-level economic contacts, the idea was apparently not supported by a consensus in Tokyo.

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[] Indeed, Japanese Foreign Ministry officials plan to drag their feet in the hope of derailing the proposal. Essentially, they are concerned that such talks could overshadow the regular Foreign Ministry bilaterals that they consider essential for reiterating Japanese claims to the Northern Territories.

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[] At an academic symposium the previous week in Moscow at which economic relations were discussed, Japanese scholars insisted that the Northern Territories issue be addressed. The Soviets, including Premier Kosygin, at first strongly denied

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even the existence of the issue. After further prodding, Kosygin argued that the strengthening of economic ties is of higher priority.

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[] At the beginning of the talks in Tokyo, the Soviets proposed to supply Japan with enriched uranium in exchange for Japanese nuclear power equipment. The Japanese demurred, however, suggesting that the matter be taken up with private industry. At the meetings both in Moscow and in Tokyo, the Japanese stressed that the Yakutia natural gas project could not move to the production phase without US participation. It was announced in Tokyo that the Soviets and Japanese would meet with the US in San Francisco in November.

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[] Following the talks in Tokyo, a Soviet participant told the US Embassy that the discussions had been more productive than at previous sessions and that the Soviets were encouraged by the forthcoming Japanese attitude toward further cooperation. Whatever Moscow's view, Tokyo's downbeat reaction strongly suggests that the Japanese are reluctant to expand their involvement in Soviet economic development. []

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EAST GERMANY - BERLIN: Drug Abuse

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[] *The West Berlin government is urging West Germany to request East German assistance in reducing the flow of hard drugs moving through East Berlin into the city's western sectors. This would be possible under Article 6 of the East-West German health accord. The drug problem has become a major issue in West Berlin and is complicated by the many legal technicalities of the Berlin question. Prospects for East German assistance are dim.*

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[] Large numbers of persons, many of them Turkish migrant workers, arrive at East Germany's Schoenefeld Airport, board S-bahn at the airport, enter East Berlin, and then cross directly into the Western sectors. Smugglers are increasingly using the Berlin route because it is safer since the crackdown by Dutch authorities in Amsterdam.

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[] The West Berlin - West German request for help is not likely to yield significant results. The East Germans are not likely to admit that hard drugs are passing through East

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Berlin. They do not consider this their problem and would probably regard charges of East German complicity as a Western slander campaign. The East Germans, moreover, earn needed hard currency by offering cut-rate airfares to Schoenefeld, and they are attempting to funnel as much of the Berlin civilian air traffic as possible through Schoenefeld.

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[] There are also problems on the West Berlin side. There is little hard evidence as to what proportion of the drugs entering West Berlin comes via Schoenefeld as compared with other routes. West Berlin does not have a comprehensive drug-control program.

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[] West Berlin is also boxed in because effective drug controls at the East-West Berlin sector boundary would impede traffic and give the boundary the appearance of an international border, something the Western allies cannot permit. West Berlin, however, could establish controls at S-bahn stations away from the sector boundary.

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[] If the East Germans were to assist West Berlin in its drug campaign, it probably would be through an unpublicized effort spurred by payments of hard currency for East German "assistance." East Germany might also go along if it perceived that some of the drugs were staying in East Berlin. There is no evidence of this, and pushers would rather have hard currency than East German marks. []

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FRANCE: Senate Election Returns

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[] *Almost complete returns from the French senatorial elections by electoral colleges yesterday show that the Left Alliance will hold 106 of the 295 seats. It gained only 10 of the 15 to 20 seats it had hoped to win. The contests still unreported are in rightist strongholds overseas.*

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[] Press reports suggest that leftist electors refused to support candidates from their alliance partners. The cohesion of the Communist, Socialist, and Left Radical parties may well have been weakened by the serious divisions in the Alliance that have been publicly aired for the past several weeks.

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[] One-third of the Senate is elected indirectly to nine-year terms by committees of local notables every three years. Many senators represent small towns and rural areas, which usually return centrist or nonpartisan senators who dominate the body. The leftist parties scored successes in municipal elections earlier this year, but yesterday's elections were generally in districts more conservative than the national average.

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[] Three of the four cabinet ministers who were elected to senate seats have said they will leave the cabinet. The fourth, Industry Minister Monory, has said that he will retain his portfolio. Prime Minister Barre will name replacements soon, and according to press reports, may reshuffle the cabinet even more as part of the government's preparations for the important legislative election in March.

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[] The government already is trying to exploit the results of the Senate election and the Left's current divisions to convince French voters that it has greater "unity" than the Left Alliance and should be re-elected next year. []

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EL SALVADOR: Terrorism Continues

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[] Salvadoran President Romero, who would like to improve his country's human rights image, may soon be forced to take stronger action against terrorists.

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[] The terrorist groups have followed up the assassination of the rector of the National University on 16 September with a nationally coordinated propaganda effort. On Wednesday, they simultaneously occupied several radio stations throughout the country in order to broadcast an antigovernment communique. At the same time, they took over a school and delivered an anti-government lecture to the students. In another coordinated action last month, the terrorists exploded some 27 bombs throughout the country.

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[] Wealthy families, whose members are frequently targets of kidnaping or assassinations, are now talking of taking matters into their own hands. Some military officers, disenchanted with what they view as President Romero's "softness" toward subversives, may be thinking of helping the rich families.

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[REDACTED] In the interest of improving his country's human rights position, Romero has generally restrained the actions of El Salvador's security services. The continuing terrorist activity is presenting him with a problem, however.

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[REDACTED] If he bows to pressure from the country's two major political forces--the wealthy class and the military--and takes stronger action against the terrorists, he runs the risk of losing US developmental aid. If he refuses to sanction stronger measures himself, the chances are good that the military and wealthy class will take action on their own. [REDACTED]

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BRIEF

South Africa

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[REDACTED] Two black South African policemen were killed yesterday during a clash between police and mourners returning from the funeral of black nationalist leader Steve Biko at King William's Town.

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[REDACTED] The incident--at Mdantsane, a black township outside the coastal city of East London, some 30 miles east of King William's Town--allegedly started when the mourners vandalized several cars and looted a shopping center. The two policemen reportedly were stoned to death, and at least two civilians were wounded when the police fired on the crowd to disperse it.

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[REDACTED] The lengthy funeral itself took place without violence. It was attended by more than 15,000 people, including many diplomatic representatives, and was highlighted by the strong oratory of black nationalist leaders criticizing the South African government and its security police.

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